

Speech

First Annual Dinner of the American Chamber of Commerce

Antananarivo, Madagascar

November 26, 2008

Your Excellency Minister Ivo, Ambassador Marquandt and his fellow ambassadors to Madagascar, and dear friends,

It is a genuine pleasure for my wife, Phyllis and me to be here tonight. Madagascar has an almost mythic reputation to many in the United States, but so few have had an opportunity to actually experience the reality of the island. Clearly the ambience of the people of Madagascar does not disappoint the visitor, nor does the beauty of the island. Unfortunately, I have yet to meet any of the characters in the movie about your country, but perhaps I will see them as well before I leave here.

I have been asked to speak with tonight about the Corporate Council on Africa and its vision for an investor-friendly climate in Africa. This, of course, includes Madagascar. I don't plan to recite statistics. Rather, I prefer to think of my remarks as a set of some ideas and questions that may spur further discussion and reflection.

As some of you know, the Corporate Council on Africa, or CCA, has been at the forefront of promoting American trade and investment in Africa since our founding back in 1993. We are an association of 180 mostly American companies, including some of the world's largest companies as well as small businesses new to the African continent. Our membership

represents about 85 percent of all US private investment in Africa. We are not your normal trade organization, but one with an activist vision, committed to making a difference in the US-Africa relationship, not simply for business and our members, but for society as a whole. We have active international programs that address critical business and economic needs for sure, but we also have an exceptional program on HIV/AIDS, a small business program that works exclusively with black and women run businesses in South Africa, and we convene the major US-Africa business conferences and meetings. We also are active in policy development towards Africa. Most recently we have been asked by the Obama transition team to develop policy recommendations on Africa for the incoming Administration. Although we remain in many respects a young organization with much still to learn, it must be said that the past fifteen years have provided us many sound, sometimes painful, lessons about the business climate in Africa. For nine of those fifteen years I have been at the helm of CCA, and with my own eyes, have witnessed some of the many profound changes that have swept the African business sector.

I am also here this week to see as much of the island as I can so that I can honor a promise made to President Ravalomanana with whom I have met on several occasions and who has addressed the members of CCA and others at least three times over the past four years. Our last meeting was in September in New York during the UN General Assembly where he, as he is often wont to do, quite forcefully made the point with me that he would like to see greater US investment in Madagascar and that he would meet with me when I came to his country. He kept that promise this morning and I hope that the formation of the American Chamber of Commerce will prove to be a key part of the bridge to a more active US-Madagascar trading and investment relationship.



My experience with AMCHAMs as they are called is, by and large, a favorable one. The AMCHAMs in South Africa and Cairo play a vital role in the relationships between the US and their respective nations, and over time, so, too, could the American Chamber of Commerce of Madagascar. There is a lot of work ahead to make this one a success. We at CCA are committed to supporting this development in any way that we realistically can.

In fact, as I speak now, the Corporate Council on Africa, which is America's primary US-Africa business organization, is working with our embassy and ambassador in Ethiopia to establish and staff the newly forming AMCHAM in Ethiopia. At this very moment one of my staff members is also dining in Addis with the newly formed AMCHAM Board of Directors to ascertain whether he will become their first executive director. I look forward to reading his report tomorrow. If we are successful in our proposed cooperation with the AMCHAM in Addis Ababa, I think we will have an excellent example of public-private cooperation for economic development that could serve as a model for several other nations in Africa who are seeking to attract greater US investment in their respective countries. Our proposal in Ethiopia is simple. We will continue to pay the salary and travel within East Africa of our staff member, who is of the Ethiopian diaspora and who has served CCA well these past four or five years. USAID will pay for office expenses and other essential forms of support. We will both do this for no longer than two years, at which time the AMCHAM is expected to be developed sufficiently to carry on under its own funding and programs. We believe that two years is sufficient time to prove the value of such an organization to other businesses in Ethiopia, Africa's second most populous nation, who want a working relationship with the United States, and to those US businesses in Ethiopia who need the AMCHAM to help their effectiveness in Ethiopia. We are doing so, not out of altruism, but because our staff person will represent also our interests with the African Union, with whom CCA has a very close



relationship, as well as maintain contact with the Economic Commission of Africa, with whom we need to build a stronger working relationship. He will also represent CCA, as well as AMCHAM, in certain East Africa business conferences. We believe this will add a further dimension of credibility for the AMCHAM in Addis as well. However, the staff person, if he accepts the position of executive director, will report only to the AMCHAM Board of Directors, and will not report to USAID or CCA. We cannot expect to empower an organization if are not prepared to actually cede power as well. We believe these linkages can prove very important to a range of US-Africa relations. I should also note that we should not take lightly the potential to bring more closely into these relationships the very sizeable Ethiopian Diaspora as trading partners for our two nations.

Now in telling you this, I am aware that I am in Antananarivo and not Addis Ababa, and that you may be saying to yourself, this is all very nice, but when is Mr. Hayes going to talk about Madagascar? Well, soon I will do that, but my point is that we need to think creatively, and not necessarily traditionally, when we look what these ventures like AMCHAM could be. If we are to make ventures such as the AMCHAMs and other forms of Chambers of Commerce more effective, especially now that the world is facing already its third major challenge in the first decade of the new millennium, then we need to view our traditional public and private institutions than we ever have before.

Indeed, every citizen in the world, and every type of organization find themselves in a very different world than when we greeted the new millennium so joyously nearly nine years ago. We barely had entered the millennium, when the traditional concept of the Nation-State to govern peacefully and effectively was challenged. The failure of nations to control their own borders and serve well their own populace has allowed movements of terror to proliferate,



certainly, but the failure to govern evenly and fairly has emboldened those looking for profit at the expense of all others. You need only look to the nearby shores of Somalia to see the severest repercussions of the breakdown of the Nation-State. One can also argue that our own failure to effectively govern and manage our own nation's key financial institutions created a climate in the US that saw the development of the greatest gap between the rich and the poor since the Great Depression eighty years ago. We have allowed a different form of the piracy of indifference, greed and self-proclaimed entitlement to put at risk the foundations of our and global societies. We now turn to a man whose roots include Africa to lead us back to a more harmonious and beneficial society.

One of greatest presidents, Abraham Lincoln once said that no society can endure half free and half slave. I believe that no society can endure half rich and half poor. Certainly no society can endure where only a few control the vast wealth of a nation, and refuse to share that wealth with the people. One needs look no further than across the Mozambican Channel to Zimbabwe see the results of this ruinous behavior.

The second great challenge that we face is the environmental challenge. It certainly did not just happen this decade, of course, but clearly the world has been made more acutely aware of the ramifications of global warming, the disasters wrought by massive deforestation, a shrinking water supply and the release of greater and greater amounts of toxins in the air, all in the name of progress. This is not progress, but a form of mass suicide. This is a problem that all of us must address, and perhaps especially businesses, as we make investment decisions.



The third crisis is of course the economic crisis that we suddenly find ourselves that has the potential to reverse all the progress of the past several decades. I think all of us appreciate the fact that, if I were speaking to you a year to eighteen months go, our view of the private sector would be somewhat different. The economic crisis that began in the United States with the collapse of the housing market continues to send shockwaves around the world. It is not yet clear what impact this crisis will have on Africa. Will the drop in prices for commodities and other raw materials spell the end of double-digit growth in many African countries? Only time will tell, but those predicting doom would do well to remember that Africa boasted the world's highest returns on investment well before the recent surge in commodity prices and the even more recent fall in some of those same commodities.

In some respects, the economic crisis means that a new set of rules will be put in place. From these new rules will spring new opportunities, and the nations most ready to take advantage of these opportunities will be the winners. I think here of an analogy, but one familiar to parts of Madagascar and other developing nations...that a fire that has swept across a field or through a forest. After the destruction new life springs forth vigorously. So to pursue this analogy, today's crises can lead to new opportunities previously unimagined for Africa. For example, we have for years heard of public-private partnerships. I strongly believe that the reality of these partnerships have fallen far short of their potential, partly because of government perception of business, and a disdain of government from the private sector. Now in the wake of the financial crisis, many corporations simply no longer have the ability to go it alone. They now need the support and partnership of the public sector. Conversely, the public sector cannot create new investment by itself. It needs the private sector to succeed. You need look no further than your own history to see this. Therefore, it is time for new relationships and new ways of seeing and accepting the usefulness of one another.

We have reached a tipping point that requires all of us to work together if we are to get ourselves out of this muddle and reverse the disastrous course we find ourselves in globally. We must create new models of cooperation if our societies are to work effectively. We must move beyond the models of scarcity, and look to the common good. All of us, including businesses must look at new models if we are to effectively create better lives for our societies, our families, and our own individual selves. For us to be successful and our societies sustainable economically and politically, we must cooperate with one another as we have never done before. We are at an historic crossroads of opportunity.

So now, let me turn to Madagascar. What can Madagascar do to create a climate more attractive to investors. I think all of us have grown weary over the past several years of being told by others how another nation should be governed. It has been made abundantly and painfully clear that no nation has a lock to the chest of wisdom, and that all of us could benefit from a greater degree of introspection before we espouse one's own worldview onto others.

I say this to say that I am not here to suggest how Madagascar should run its own affairs, nor even how the AMCHAM could be successful. That is for you to determine as a nation and as a group of businesses respectively. Rather, I am here to urge us all to work more closely together to solve the vexing and critical problems we all face together. On the other hand, one cannot simply clean one's own house if the neighborhood around the house is disintegrating. Common action and cooperation is required.



Back in 2005, the United States Government, through its Millennium Challenge Corporation, selected Madagascar as the first recipient in the world of its targeted economic development assistance program. The decision was based on the fact that Madagascar clearly was committed to better governance and economic growth. But in the ever-changing world, it is not enough to sit on one's laurels. As evidenced by the vote of confidence from the US, Madagascar has done well, but you cannot afford to stop exploring ways to do even better. This is a world very much in motion, and those that rest will be passed by. That is the reality that all of us, including the USA, find ourselves in.

Madagascar is to be praised for its work with the United States in becoming the first nation to be recognized through our Millennium Challenge Act, an historic act of Congress in the development of Africa. Madagascar is also to be praised for its vigilance and balance it is taking with new business ventures in mining and agribusiness. I was very impressed yesterday by the Ambatovy mining project and thoughts behind its relationship with the ecology of the land. I was equally impressed by the work being done on the land everywhere we drove. There is an opportunity for Madagascar in the next decade that too few other countries have. Indeed, I would venture that Madagascar is a microcosm of how the world could develop. With some significant but not necessarily difficult steps, Madagascar could be a global leader in presenting a far better society as an example to the world that serves as vibrant laboratory of new business and economic development combined with the management of a heritage that is unique on this planet.

Finally, in this regard, let me now turn my attention to the purpose that brings us all together tonight, the establishment of the American Chamber of Commerce of Madagascar and its role in the on-going creation of this country. I believe it needs to realize that it must be an active



entity that does not simply exist for the sake of doing business, but that it exists to enrich the lives of the people of Madagascar as much as it does their own companies. In my meeting with the founders on Monday, I believe that desire is within those persons.

I am not suggesting that the new and very fragile AMCHAM of Madagascar can solve the world's major challenges, but I am saying that each of us has a role to play, and businesses, as groups of individuals, and as entities that have the power to transform many lives through investment and job creation, have an especially vital role to play, and perhaps more so than any other entity in the developing world. Businesses, combined with prudent government policy, are the creators of jobs and development that provide the opportunity to uplift people and a nation out of poverty and into a far better way of life and sustainability. Businesses cannot do this alone, anymore than governments can do it alone. The success of China over the past decade proves this as much as does the development of India and the history of my own nation. It was especially when these countries unleashed the private sector, did we see what some would term as phenomenal economic growth. We now clearly need to balance this growth by addressing the major problems of the day, hopefully by working together more closely.

So what can the American Chamber of Commerce be that would add further strength to development of Madagascar? The answer to this question can only come from its members, but let me suggest some ideas.

First, I suggest that it must always be aware that it is an important part of the totality of life in Madagascar. Its purpose is to contribute to the common good. It cannot do so by only promoting its own businesses. It must be more than a business-promotion organization. It



should reach out beyond the traditional view of such organizations and seek new models of doing business. For instance, one might seek out cooperation with other similar organizations, rather than see them as competitors. The AMCHAM could seek to be an active planning partner in the Madagascar Action Plan.

The fact that it now represents not a single business, but a group of businesses makes it potentially more a determinant in the course of life in Madagascar. As it grows in membership so, too, will its ability to influence life here and abroad. While I encourage it to seek an active and positive engagement with government, it must also always be cognizant of the fact that its lifeblood is dependent upon its members, and the AMCHAM has a responsibility to the welfare of its members. For instance, when the AMCHAM knows that it takes more than two months and sometimes much longer to establish a business, it must engage government to make them understand why this is unacceptable. Time is, after all money. Government, if it is serious about attracting a diverse range of investors, must be proactive about working with the private sector to make the nation more investor friendly. Often in Africa, governments are too quick to dictate complicated rules to the private sector in a one-way flow of communication that goes from government to private sector, but rarely in the other direction. An AMCHAM has a moral responsibility to its members and to society as a whole to enter and maintain the public dialogue with the government and all of the citizenry.

What government and the private sector have in common is that they both want greater private investment. What both must realize that it will not happen unless they are truly working together to make it happen. If both parties are not invested in making the system work, the reality is that the system cannot and will not work. We need each other more than



we ever have before, and we must come together as partners, not as supplicants or as decree makers.

AMCHAMS must be educators as well as advocates. They also must be conciliators as well as debaters. They must be the voice of an absolutely vital part of society, just as they must also be listeners to equally vital parts of society. They must stand against injustice, but they must also be supportive of social justice as part of their work. We simply cannot operate in isolation of one another any longer. An AMCHAM makes it easier for this dialogue to take place and it makes it easier for its members to be heard. An AMCHAM should be a bridge between the public and private goods of this very special nation.

I do not pretend to have all the answers to the question of how Madagascar can lure more investors, or even only American investors. As I said, each country must find its own way in the world. Each country has its own unique social and historical values which it has to balance against the cyclone of change that is swirling around the world. However, it will be the nation that best understands the currents of these winds who will be best prepared for the future. But in a world that is increasingly interconnected, doesn't it make sense for you to look around and explore what has worked elsewhere so that you can move more quickly where others were forced to find their way alone? Madagascar is clearly a blessed nation, far more than perhaps its own people realize, and it is blessed with such a potential for its own form of a paradise on Earth. What a shame it would be if you were not able to translate this potential into true benefit for your people! You have no better chance and no better time than to begin tonight.



Thank you for taking your time to be here tonight and giving me the opportunity to speak with you.